

Lincoln University

HESFA Penalty Waiver Request

Lincoln University in Missouri was founded in 1866 by the enlisted men and officers of the Civil War's 62nd and 65th Colored Infantries with a purpose to educate freed slaves. Lincoln has led the way in providing quality education to all. While remaining committed to its historic roots, the university has expanded the original mission to embrace the needs of a broader population reflecting varied social, economic, education and cultural backgrounds.

Lincoln University supports Governor Nixon's commitment to providing opportunity for and access to low-cost, high-quality undergraduate and graduate programs for all Missourians. In support of the institutional and statewide missions and goals of increasing the number of graduates and meeting the state workforce needs, Lincoln willingly and enthusiastically accepts students wishing to pursue a higher education. The university provides student-centered learning in a nurturing environment, integrating teaching, research and service.

In keeping with this mission and support of the initiatives of the State of Missouri, Lincoln University has addressed the specified waiver criterion.

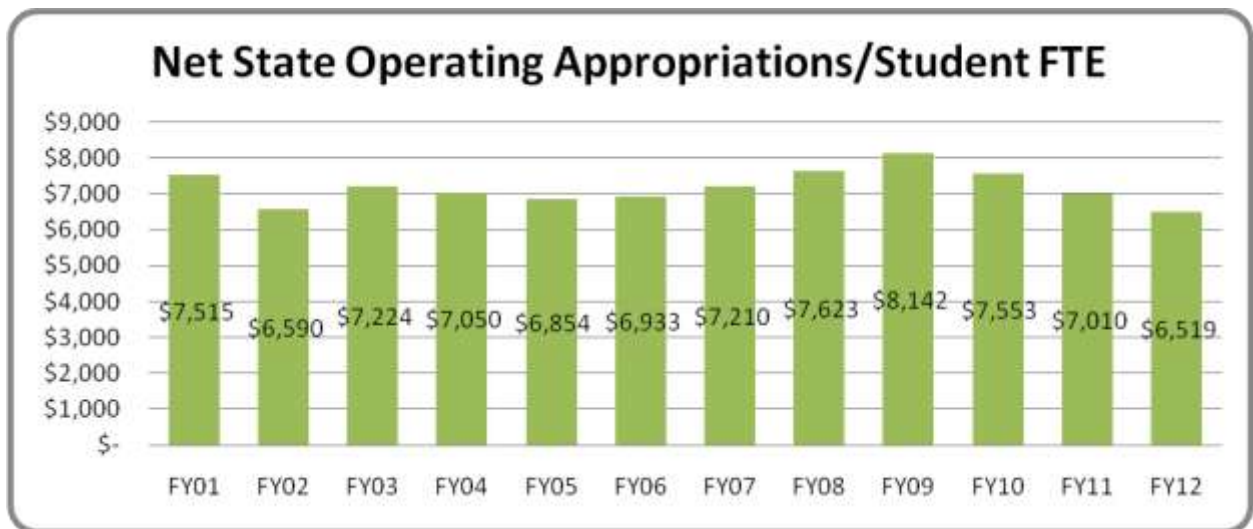
1. State Appropriations for FY2010 per FTE student for academic year 2009-10 compared to the state operating appropriations for FY2011 per FTE student for academic year 2009-10.

In FY10, the appropriations per student FTE was \$7,553 compared to FY11 per student FTE of \$7,160 (based on 2009-10 student FTE). This reflects the 5.2% decrease in state appropriations.

However, with the increase in student FTE in FY11 and projections of steady enrollment for FY12, the actual appropriation per student FTE has decreased more than the 5.2% indicated above. The chart below represents the net state appropriations less appropriations received in FY08 for USDA/NIFA matching requirements. In FY08, the University received a new appropriation specifically identified as land-grant matching funds in the amount of \$873,000 (net of 3% reserve), only 21% of the matching requirement in FY08 required as an 1890 land-grant institution. Although these funds rolled into the base appropriations beginning in FY09, this appropriation has decreased with the reductions in state appropriations of 5.2% in FY11 and the anticipated 7% in FY12. This leaves \$807,386 to support matching in FY12. The funding shortfall for matching requirement not supported by state appropriations must therefore be supported by tuition revenue. This results in less funding to support instruction to students.

The chart also excludes one time appropriations received in FY10 for the Caring for Missourians initiative. This brings the University's net appropriations per student FTE down to a projected \$6,519 in FY12.

Chart 1: Net state operating appropriations per student FTE



Note: the chart excludes appropriations as listed below.

- In FY08, excludes net appropriations of \$873,000 for matching
- In FY09, excludes net appropriations of \$915,777 for matching (appropriations increased by 4.9%)
- In FY10, excludes net appropriations of \$915,777 for matching as well as \$782,946 for Caring for Missourians
- In FY11, excludes net appropriations of \$868,157 (appropriations decreased by 5.2%)
- In FY12, excludes net appropriations of \$807,386 (appropriations expected to decrease by 7%)

2. Mandatory costs that have increased at a rate that exceeds the increase in the CPI, including but not limited to increased costs incurred in connection with the implementation of new mandates or legal requirements.

Lincoln University like other public universities in Missouri has experienced increased mandatory costs that exceed the increase in the CPI. Specific areas include increased mandatory cost of salaries and benefits, technology, utilities, and 1890 land-grant matching requirement.

Salaries and Benefits

Mandatory costs drivers have included cost associated with faculty and staff salaries as well as benefits. Prior to the implementation of HESFA Section 173.100 to 173.1006 in fall 2008 which froze tuition, Lincoln University (LU) had implemented an Employee Compensation Plan in 2007 in an attempt to become competitive with other public institutions in Missouri. The salary review for this plan revealed that all salaries were non-competitive. An initial investment of \$3,158,667 for salary and benefits was required to increase competitiveness with staff being compared to the State of Missouri salary scale (Office of Administration) and faculty being compared to all public institutions excluding MU and MSU (DHE, Table 85: Average Salaries of 9-month faculty at public institutions, by rank). Permanent internal reallocation of resources occurred to ensure that LU could stay competitive: however, this occurred immediately preceding the state and national recession and the tuition freeze. As a result of these salary increases and additional variables, increases over CPI in MOSERS contribution and unemployment insurance have occurred. Mandatory cost related to

salaries and benefits fall into the following three categories: health insurance, retirement and unemployment insurance.

- **Lincoln University Provided Health Insurance:** Lincoln University has continued to see significant cost increase (22.4%) in employee health insurance premiums since 2008. Lincoln University has experienced high utilization along with an above average census in age and females in child bearing age. Lincoln University has attempted to control the accelerated increase in cost by reducing plan design coverage and most recently implementing an employee wellness initiative. Basic insurance cost has increased by 22.4% over 4 years while coverage has diminished to the point that the basic coverage is a health savings account (HSA) with high deductibles. Both the university and individual employees have jointly bore the cost of the increases, as represented in the below table:

Table 1: Health Insurance Cost by Year

Calendar Year	Basic Coverage-Employer Paid	Middle Coverage-Employee Paid	High Coverage-Employee Paid
2008	\$343.65		
2009*	\$382.50	\$38.66	\$68.80
2010**	\$382.50	\$38.66	\$68.80
2011***	\$420.63 (HSA)	\$52.95	\$78.57

* This increase in paid premiums by the university accounted for an estimated \$210,000 in costs.

** HSA added as basic plan. LU maintained same contribution cost by changing plan design to increase co-pays and deductibles to cover 6% rate increase so no additional cost outlays this year.

***This is a 22.4% increase over 2008. LU increased its monthly premium contribution by \$38.13 an employee to help cover the 10% increase in monthly cost coverage. This amounted to approximately \$220,000 a year in additional cost outlays by the university.

In summary, the university over the last four years has paid an additional \$430,000 in employee health insurance premium contributions. It is projected that the cost of health insurance will continue to increase.

- **Lincoln University participates in the State of Missouri Retirement System (MOSERS):** All employees other than a small percent of faculty hired since 2002 participate in the MSEP or MSEP 2000 plans. The university contributes 100% of the cost for approximately 450 employees. Over the past several years the university contribution rate has steadily increased, as demonstrated below:

FY 2009, the rate was 12.53%, \$2,246,526 contributions; \$38,645 over FY08

FY 2010, the rate was 12.75%, \$2,383,734 contributions; \$137,208 over FY09

FY 2011, the rate was 13.81%, est. \$2,591,981 contributions; \$208,247 over FY10

FY 2012, the rate will be 13.97%, est. 2,622,204 contributions, \$30,223 est. over FY11

The four year total cumulative increase of 16.7% has resulted in approximately \$375,678 additional expenditure for LU.

- **Lincoln University participates in the State of Missouri Unemployment Insurance System:** Lincoln University participates in the State of Missouri unemployment insurance system utilizing the employer reimbursement method. Lincoln University directly reimburses the State of Missouri for unemployment insurance claim cost made on eligible individuals that worked at Lincoln University sometime during the claim period (generally last 5 quarters).

FY 2008, LU paid \$34,791; 18 unduplicated claimants

FY 2009, LU paid \$66,974; 28 unduplicated claimants; 93% increase over FY 2008

FY 2010, LU paid \$132,625; 39 unduplicated claimants; 98% increase over FY 2009

FY 2011, LU paid \$72,634 (one quarter remaining); 33 unduplicated claimants

Since FY 08, unemployment claims have more than tripled. Total expenditures for unemployment claims since FY08 are \$272,234 with one quarter remaining in the current fiscal year. Thus since FY08, the number of claimants along with the claimant's expenses' have increased drastically. Until the external economic environment stabilizes, expenditures for unemployment insurance will continue at an increased rate above the CPI.

Several factors seem to have contributed to this increase over the last couple of years. The economy has prevented unemployment insurance eligible claimants from finding new employment, therefore prolonging claim periods. Additionally, the status of the economy has resulted in the federal and state governments extending benefit eligibility resulting in prolonged claim periods.

Technology

- **Datatel Maintenance:** The need for maintenance and support of the administrative system (Datatel) is mandated by the need to ensure compliance with applicable tax regulations,

keep current on software enhancements and corrections, as well as accessibility to technical support as needed. The cost of annual maintenance has consistently increased at 6-8% per year, amounts greater than the change in CPI.

- **MOREnet:** MOREnet provides many services to LU; however, its primary service is cost effective, reliable, and secure Internet service. Based on state funding decreases over the last two years, MOREnet has had to pass on significant price increases to universities, colleges, libraries, and K-12 schools. LU has seen a 56% increase in Internet service fees from FY10 to FY11. LU purchases more bandwidth every two to three years to meet the needs of students and faculty. It is estimated that by FY12 MOREnet fees will be just under \$50,000, a 25.8% increase from FY11. Taking into account the increases in services and decreases in state funding for MOREnet since Fiscal Year 2008, LU has seen a 335% increase in costs for Internet Bandwidth.

Utilities

Utility rates have increased from FY10 to FY11 even with significant cost saving efforts occurring on campus. Based on current utility expenditures for FY11, utility costs are projected to be at \$885,560, a 16.5% increase over FY10. Review of retail price of electricity at <http://www.eia.doe.gov/> for commercial and industrial end-users shows that Missouri electric cost increased by 12% and 9%, respectively, from 2010 to 2011. Thus, it would be reasonable to assume that the cost for utilities in FY12 will increase even with continued cost savings efforts on campus.

Land-Grant Matching Requirement

Lincoln University is an 1890 land-grant Institution. As an 1890 land-grant institution receiving federal appropriations for Section 1445 Evans-Allen Research and Section 1444 Extension services, the University is now required to match federal expenses with state funds. Beginning in federal fiscal year 2000, 1890 land-grant institutions were required to begin matching federal dollars to state dollars at a rate of 30%. In the years following, the matching requirement gradually increased to a dollar for dollar (100%) match requirement in federal fiscal year 2007.

To meet the matching requirements, Lincoln University has had to reallocate general funds otherwise specifically devoted to instruction, student support, etc. The National Institute of Food and Agriculture (NIFA) allows, under very restrictive conditions, institutions to request a waiver of the 100% matching requirement. However, Congress does not allow NIFA to waive the match below 50%. Lincoln University has made great strides since federal fiscal year 2000 to meet the requirements, but has not been fully successful in meeting the 100% match for Research and only recently, in federal fiscal years 2006-2008 been successful in meeting the match for Extension funds. It should be noted Lincoln University did not fully expend all federal funds available to the State of Missouri because Lincoln University cannot fully match these funds. In addition, Lincoln University has requested waivers annually since the matching requirements were established, however, waivers are not guaranteed.

In FY08, the University was fortunate to have received a gross state appropriation allocation of \$900,000 (\$873,000, net of reserve) to support the matching requirement for federal appropriations for Extension and Research. In subsequent years, this appropriation was rolled into the base appropriation. With the fluctuations in base appropriations since FY08 and recent cuts to state appropriations in FY11 and FY12, this has potentially dwindled to nearly \$807,000.

In FY11, when state appropriations were reduced by 5.2%, the amount available in the university budget to match federal dollars likewise decreased, again leaving the University below the match requirement for both Extension and Research federal funds.

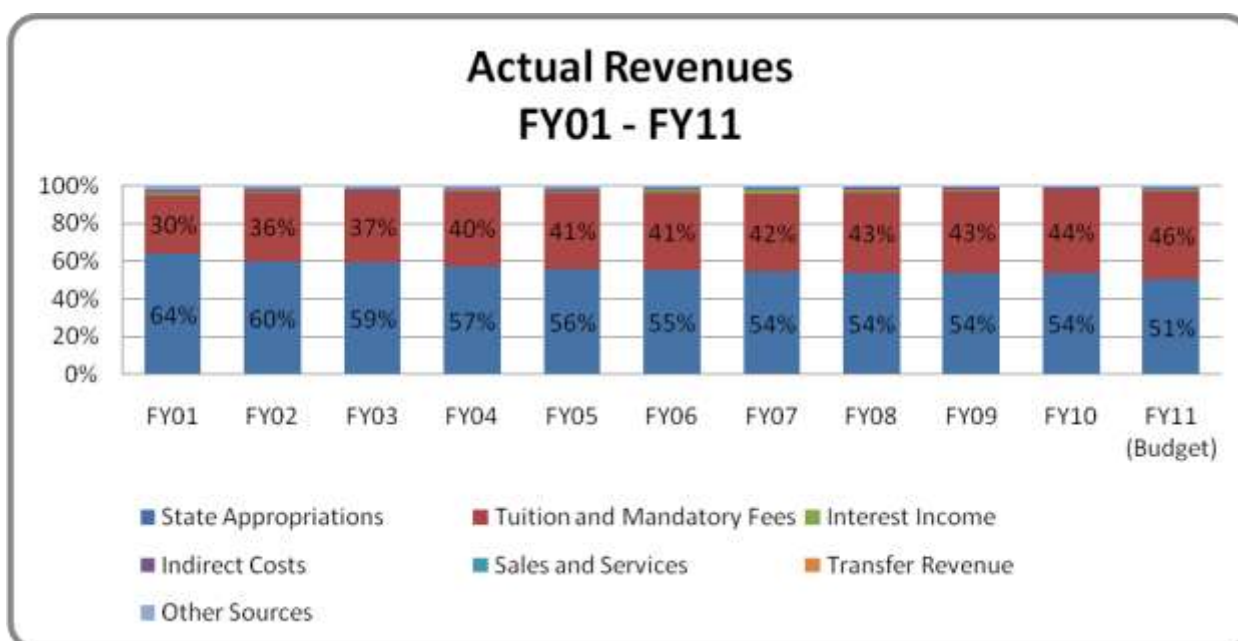
In 2009, the University spent over \$5.3 million in federal Extension and Research funds. The University spent \$4.8 million in state funds, with only \$915,777, or 19%, supported by state appropriations. Compared to the \$915,777 in state appropriations for land-grant match, this means that \$3.9 million of university funds were allocated to support the land-grant mission. The amount of federal funding received in federal fiscal year 2011 for both Extension and Research was over \$6.6 million dollars. The corresponding appropriations for land-grant match in FY11 decreased to \$868,157, which represents only 13% of the funding received from NIFA. This leaves the remaining 87% or \$5.7 million to be absorbed by the university. Because the university does not have the funding to fully support the total appropriation, it has reduced the spending of federal appropriations to ensure that Lincoln University meets and exceeds at least the 50% matching requirement. This reduction in spending results in reduced services provided to Missouri residents and ultimately less revenue for the state.

3. Historical trends in the institution's operating appropriations, tuition policy and other financial issues and relationships.

The chart below shows the sources of University revenue from FY01 through FY11. As the chart indicates, the two main sources of revenue for Lincoln University are state appropriations and tuition and mandatory fees. The level of state support has decreased from 64% in FY01 to 51% in FY11, resulting in a greater reliance on tuition and mandatory fees. In FY11, the base appropriations (less Caring for Missourians and land grant match in 08) are being funded at 96% of the FY01 level.

A small portion of revenues comes from other sources, one of which is interest income. In years past, this has provided a meager portion of the other sources category. However, due to the limited investment opportunities and low interest rates, this category has also decreased significantly. These factors, which are out of the University's control, force Lincoln University to be more dependent on tuition revenue.

Chart 2: Actual Revenues, FY01-FY11



It is Lincoln University's mission as an open enrollment institution to keep higher education both affordable and accessible. Seventy nine percent of students attending Lincoln University receive some form of Title IV aid (Pell, SEOG, ACG, CWSP, Subsidized and Unsubsidized loans), more specifically, 47% of Lincoln University students have an expected family contribution (EFC) of \$0 on their FAFSA response. The University's Board of Curators challenges the Budget Committee to keep recommendations for increases to tuition and mandatory fees low to ensure that these students have the opportunity to pursue a college education and be successful. This challenge is becoming increasingly difficult with consecutive decreases in state appropriations.

The implementation of SB 389 in August 2007 and the agreements to keep tuition flat in FY09, FY10, and FY11 have hampered the University's ability to keep up with continued increases in mandatory costs.

4. Costs related to your institution's mission that require growth in revenues in excess of the increase in the CPI.

Lincoln University, an 1890 land-grant university, is one of three public open enrollment institutions with a statewide mission of providing "excellent educational opportunities including theoretical and applied learning experiences to a diverse population within a nurturing student-centered environment" (Lincoln University Strategic Plan, 2008-2012). University administrators, faculty, and staff work together to ensure that high school seniors in Missouri, adult learners, and returning Veterans have appropriate, timely and affordable access to higher education. As noted in Section 2, to meet federal matching requirements for the land grant-mission, Lincoln University has reallocated general funds that would otherwise be used for academic, student, and instructional

support systems for underrepresented students. In further support of the institutional mission, the following services are necessary to ensure that the targeted populations receive the academic, financial and social support to succeed.

- **Developmental Courses**— Although overall ACT scores of first time degree-seeking students have remained relatively consistent averaging 17.2 - 17.7 since 2006, the percent of first time freshman students entering with an ACT of 18 or below has increased by 2.8% from 2009-2010. Based on the increase of students entering Lincoln University with ACTs lower than 18, additional, developmental courses must be offered. Lincoln University offers developmental courses in both mathematics and English. Over the past four years, on average, 37% of freshman cohort students enroll in remedial English (ENG 90—Basic English); 47.65% of freshman cohort students enroll in one of the remedial mathematics courses (about 14.5% in MAT 50 [Basic Mathematics] and 33.1% in MAT 51 [Basic Algebra]); and 26.3% of freshman cohort students enroll in both remedial English and mathematics courses.

To better meet the needs of the students, ENG 95 (Introduction to College English) has been developed and will be delivered for the first time in the fall 2011 semester. Prior to the development of ENG 90, Lincoln University offered only Basic English (ENG 90) for students with ACT scores of less than 16. Students with scores of 16+ were placed into ENG 101. Under the new guidelines, students with an ACT score of 13 and below will be placed into ENG 90; students with scores of 14-17 will go into ENG 95; and students with scores of 18 and above will be placed into ENG 101. The research-based changes, while not requiring additional funds or additional class sections, will still require funding at the previous levels, thus requiring revenues in excess of the current CPI.

- **Academic Support Systems**—To ensure that all students have opportunities for success, Lincoln University funds a variety of academic support units and programs, including the following:

Center for Academic Enrichment (CAE). The CAE coordinates academic support, including Supplemental Instruction, to currently enrolled students by providing professional tutorial assistance in writing, reading and mathematics. Students may schedule appointments for individual assistance, group discussions and exam reviews. Supplemental Instruction (SI) is a non-remedial, institution-wide academic assistance program attached to selected courses. SI-trained peer facilitators lead outside-of-class study sessions designed to help students be successful in high-risk courses. The CAE also supports an open computer lab for all students who need access to e-mail, word processing, and Internet capabilities for the completion of course assignments.

Center for First Year Experience (FYE). The mission of the FYE is to ensure the academic and social success of each student entering Lincoln University by providing a quality, comprehensive first-year experience. Through a variety of programs and services, the center is poised to have an impact on students at the time of entrance to the university, throughout the first year, and beyond. Programs and services administered through the FYE include learning communities; Fresh Start; Lincoln's Educational Access Program (LEAP); advisement resources plus advising for undecided, non-degree seeking and visiting students; University Seminar; and debt and money management.

Learning Communities. Since 2003, Lincoln University has had the high-impact educational practice known as Learning Communities. A learning community is a group of twenty-five students enrolled in two or more of the same courses. Each learning community has a theme, and the faculty integrate the course work of two or more courses. Some Communities are designed for specific majors while others are open to any freshman and concentrate on general education course requirements. Students who participate in a learning community on average have a higher GPA and complete more credit hours in their first-year of college.

Fresh Start. Fresh Start is a program designed specifically for students on academic probation. Participation helps students on academic probation set academic goals, become aware of campus resources, understand the University probation policies, and ultimately return to good academic standing.

Lincoln's Educational Access Program (LEAP). Lincoln's Educational Access Program (LEAP) is designed to strengthen the open admissions policy of the University by providing under-prepared students with the tools necessary to persist and succeed in college. LEAP is structured to support and enhance first-year students' academic and social acclimation to the University and is open to all first-time freshmen and transfer students.

Advisement Resources and advisement for undecided, non-degree-seeking and visiting students. The FYE serves as a repository for the following faculty advisement resources: Advisor's Manual, General Education Advisement Worksheet, Student Success Plan, Advisor Conference Form, and Trial Schedule. Additionally, the FYE staff advises undecided and non-degree seeking students, as well as visiting students.

University Seminar. University Seminar serves to introduce students to the college experience and facilitates a successful transition from high school to college. Required for all entering freshmen and for transfer students with fewer than 30 transfer credits, the seminar orients students to college life by providing valuable information, skills, and strategies for success which are necessary to persist and graduate from Lincoln University.

Debt and Money Management. The mission of the Debt Management Office is to reduce the University's overall student loan default rate, to increase awareness of the alternatives to student loan default, and to increase consumer education for all students. The counselor also assists with locating borrowers for lenders, guarantee agencies, and service providers.

Career, Counseling and Disability Services. The Career, Counseling & Disability Services (CC&DS) provides high quality services in the areas of personal, academic, social, and career counseling to the University's diverse student population (i.e. academically at-risk students, physically challenged students and non-traditional student population). Additionally, the CC&DS serves as a support system in conjunction with the academic areas, while simultaneously promoting student growth and development, thus contributing to the learning process beyond the classroom.

Student Support Services (SSS). Designed to assist under-represented students in obtaining a degree, SSS provides individual and group tutoring, study skills workshops, secondary academic advising, and cultural and career explorations. SSS also manages a computer lab for the exclusive use of program participants. Audio and video learning aids and semi-provide study areas are also available to students.

Continuing Education and Extended Services. The Division of Continuing Education and Extended Studies manages off-campus instruction, non-credit offerings, intersession courses, dual credit courses, and life-long learning opportunities in support of Lincoln University's mission to provide quality education for a diverse student body.

Office for Veterans Affairs. The Office for Veteran Affairs serves as a resource center and an advocate for veterans by offering general information, counseling and professional referrals.

Lincoln University also realizes the need for providing sufficient resources for faculty and staff who are committed to the success of the students. With the ultimate goal of student success (e.g., retention, graduation, and job placement), personnel-related initiatives that require institutional commitment and resources include the following:

- Clinical and experiential learning experiences. To be successful in the job market, as well as in the workforces, students should have a balance of theoretical and practical experiences while completing their degree programs. To that end, almost all students must complete either a clinical experience and/or an internship. The delivery of such experiences requires extensive faculty time, plus the time of field-based supervisors (e.g., hospital and clinical staff, K-12 teachers, agency personnel), especially in the health-related fields, teacher education, and social work. The expenditures per semester vary based upon the number of students enrolled in each program and the type of clinical experience. During the 2009-2010 academic year, the institution purchased Experience.Com, a software tracking system for experiential learning experiences. While the system was a one-time purchase, recurring costs include faculty and staff time to input and analyze the data.
- Faculty and staff professional development. One of the most significant investments that a higher education institution can make is in human resources, and one of the most significant contribution factors to faculty and staff retention is an opportunity for professional development. To ensure that faculty and staff are up-to-date in their fields, Lincoln University offers professional development opportunities via webinars, on-campus conferences with invited speakers, on-campus workshops with Lincoln University experts leading the discussion, and off-campus conferences. With costs varying by delivery method and content, professional development opportunities are supported through a combination of state, federal and grant funding. The availability of state funding for faculty and staff professional development leads to student-oriented programs that are research-based and that are built upon the most effective instructional practices.
- Student-teacher research. Opportunities for students, both graduate and undergraduate, to engage in research activities and to present their findings at conferences, is an integral part of

higher education preparation for the job market. Programs that effectively prepare students require equipment for research, faculty time and expertise, and support for dissemination of research findings. One example of Lincoln University's commitment to student research is the Missouri Academy of Science (MAS) conference held during the spring 2011 semester on the Lincoln University campus. While hosting the conference did require one-time funding, student support for future research projects will require recurring funds.

- Addition of essential personnel. During FY11, the institution hired a full-time counselor after a needs analysis revealed that Lincoln University students could benefit from an on-campus counselor. Prior to this, students were referred off-campus for professional services. Since her initial appointment date of January 1, 2011, the counselor has provided services to 54 students for a total of 101 sessions. Additionally, she has referred approximately 65 students for other services and made 223 appointments with local providers on behalf of Lincoln University students. These numbers vindicate the need for a full-time counselor whose services support the institutional mission by having a positive impact on student retention and graduation rates. The costs associated with this hire, including salaries/fringes and office support, were reallocated from other state-funded lines and will be a recurring cost.

As an open enrollment institution, Lincoln University is committed to providing higher education access to a diverse population of students who may not otherwise have such an opportunity. Along with that commitment comes a variety of challenges to increase recruitment, retention, persistence and graduation rates. Those challenges are best met when all institutional units work together to pool and leverage existing resources for the benefit of current and prospective students. As noted in Section 6, the university is projected to spend 8% of the institutional budget on Academic Support in FY11 as compared with 10% in FY01. External funding is used to make up the difference to ensure that the needs of a diverse student body are being addressed.

5. Costs related to other initiatives designed to meet specific needs of the State of Missouri that require growth in revenues in excess of the increase in the CPI.

Lincoln University acknowledges and supports statewide goals to (1) increase recruitment, retention, and graduation rates of all students; (2) address the shortage of healthcare professionals; (3) increase number of majors and graduates in the STEM areas; (4) maintain and/or seek "approved" accreditation status for institution and discipline-based programs; (5) increase collaborations with local, state, and federal institutions and agencies; and (6) advance the 1890 land-grant research and extension mission.

- Increase recruitment, retention, and graduation rates of *all* students. Lincoln University is committed to providing appropriate, effective academic and social support systems for all students (e.g., "traditional," "non-traditional," residential, commuter) with the goal of increasing retention, persistence, and graduation rates. As noted in Section 4, the institution offers a variety of programs for students from underrepresented groups, as well as students admitted in accordance with the open admissions policy. The diversity of Lincoln University's student body requires targeted advising, career counseling, and other types of support that contribute to their success in higher education and in the workforce, thus contributing to local and state economies.

- Address shortage of healthcare professionals. Lincoln University has become a leader in the preparation of nurses, both at the Jefferson City and the Ft. Leonard Wood campuses. Building upon the positive reputation of the nursing programs, Lincoln University recently collaborated with St. Mary's Health Center to offer a degree in Surgical Technology. Programs in Nursing Science have been supported by a combination of state funding, including *Caring for Missourians* support, and federal funding. As funds from programs such *Caring for Missourians* are no longer available, the institution has to reallocate other funds for faculty, equipment, equipment maintenance, and clinical support to be able to offer the programs without additional enrollment caps. Lincoln University currently has a waiting list for admission to the nursing programs; additional enrollment limits will have an adverse effect upon progress toward preparing a sufficient number of qualified nurses for the workforce.
- Increase number of majors and graduates in the STEM areas. Lincoln University has demonstrated a commitment to meeting the need for STEM majors and graduates through participation in two programs facilitated by the Association of Public Land-Grant Universities: The Leadership Collaborative and the Science and Mathematics Teacher Imperative. The institution has also applied for external funding to support STEM-related programs and has been successful in getting National Science Foundation funding for programs and facilities. Such efforts have yielded positive results with the total number of undergraduate majors in STEM fields increasing from a headcount of 314 in fall 2008, to 340 for fall 2009, and to 353 for fall 2010 with 31 graduates in 2008, 36 graduates in 2009, and 42 graduates in 2010. An institutional goal is to continue the upward trend in both majors and graduates by building upon the momentum related to STEM programs.
- Maintain and/or seek "approved" accreditation status for institution and discipline-based programs. Lincoln University is currently accredited through the Higher Learning Commission (HLC), and the following discipline-based programs are either accredited or approved through the appropriate professional associations: business, music, nursing, surgical technology, and teacher preparation. In May 2011 the B.S. in Social Work program was accepted into candidacy status by the Council on Social Work Education. During FY13 on-site visits for business, music, and teacher education will occur, in addition to the regional accreditation visit by the HLC. Planning for and designating resources for these upcoming visits will require revenues in excess of the CPI.
- Increase collaborations with local, state, and federal institutions and agencies. Lincoln University recognizes the importance of collaborative agreements with other educational institutions, as well as with community agencies. Examples include statewide consortia for course redesign and collaborative degree programs (e.g., physics). Participation in these consortia will require institutional support in addition to grant funding. As an example of a state partnership that has a direct impact upon the economy of mid-Missouri and Lincoln University's immediate service area is the agreement with Missouri State High School Athletics Association (MSHSA) to host the state track meet each year. One condition of the agreement is a new track surface by the end of FY2012. If Lincoln University is unable to honor the terms of the agreement, the contract will not be renewed, thus resulting in lost revenues for the institution, the City of Jefferson and surrounding areas.

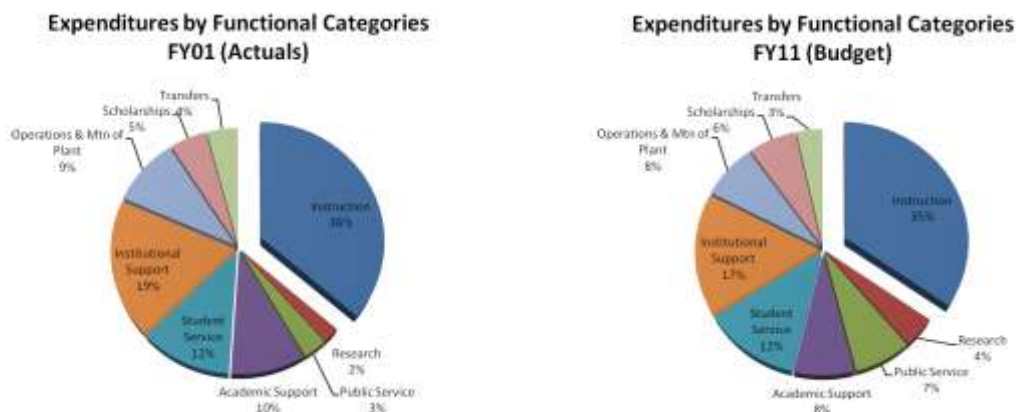
- Advance the land-grant mission through enhanced research and extension programs. Lincoln University is the only public, open admissions institution with 1890 land-grant status in the State of Missouri. These distinguishing designations set Lincoln University apart from all other state-supported institutions. In Sections 2 and 4, costs associated with Lincoln University's land-grant mission are discussed. State-wide priorities supported through research and extension programs include the following: healthy lifestyles, pre-college preparation programs, and recruitment and retention of underrepresented students in STEM programs.

6. The current and/or historical structure of the institution's total budget, including the institution's allocations for faculty and non-faculty salaries, institutional financial aid, student support, research, physical plant maintenance and other operational activities.

Despite the various budget cuts and appropriation reductions in the last 10 years, the University has maintained a 63-66% allocation of the total budget to its focused mission of Instruction, Research, and Public Service (includes academic support and student services). Chart 3 below identifies specific functional allocation percentages of actual expenses in FY01 compared to budget in FY11. While an important mission of the University is its land grant status, without full resources to meet the 100% federal appropriation matching requirement, the future ability to maintain current levels of Research and Public Service are compromised.

Due to limited resources and increased costs, fewer dollars are available for operations and maintenance of plant and transfers for on-going repair and maintenance (ORM). Combined, the budget allocation for these categories has decreased by 2%. Although this may seem small in number, this is significant when faced with the challenge of maintaining a campus over 100 years old and increasing utility costs. Typically ORM should be funded at minimum 1.5% of replacement costs, which for Lincoln University would amount to \$2.9 million. However, funding available for ORM has dwindled to a mere \$350,000, only .18% of replacement costs, which is inadequate to support the needs of the aging assets.

Chart 3: Expenditures by Functional Categories, FY01 and FY11



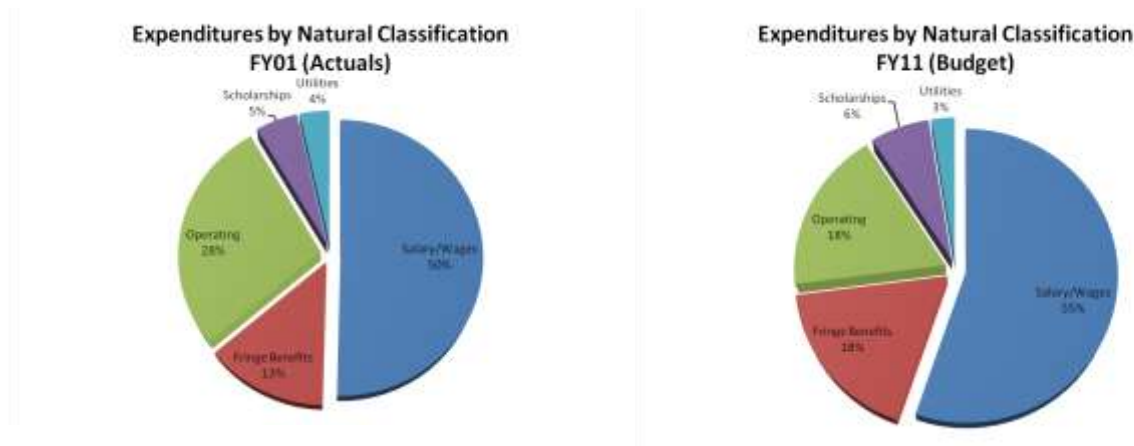
In FY11, salaries and fringe benefits make up 73% of the total budget. The University has made focused efforts to maintain services provided to students by making the majority of the FY11 cuts

from operations. Chart number 5 reveals that the University has made cuts of 10% to the operating budgets as a proportion to the overall budget since FY01.

However, with additional budget cuts in FY12, and limited revenue resources, further personnel cuts may be made as well as going another year (3rd consecutive year) with no salary increases and greater out-of-pocket costs related to health insurance.

Another significant factor in this category is the cost of fringe benefits. In FY01 fringe benefits were \$3.6 million or 27% of total salary. Since then, fringe benefits have nearly doubled to \$6.3 million or 32% of total salary, affected mainly by the steady increases in health insurance costs and retirement plans. It is a continuous challenge to maintain experienced and qualified employees when by comparison, the University salaries are below its comparators, refer to section 2 and 8 for further details.

Chart 4: Expenditures by Natural Classification, FY01 and FY11



7. Damage, destruction, or deterioration of facilities, infrastructure, property or other physical assets of an institution for which there are insufficient funds from state appropriations or insurance proceeds to repair or replace.

Lincoln University has several critical facility and infrastructure needs. For many years now, Lincoln University has submitted cost estimates for projects to MDHE in its annual capital improvement budget request for maintenance and repair projects as well as new construction. Unfortunately, due to limited funding, the same projects have to be requested each year, which only exacerbates facilities' conditions deteriorating and costs rising. In Lincoln University's FY2012-2017 budget request, of the nearly \$138M requested, approximately \$55M was for maintenance and repair and \$83M for new construction. For the past several years, Lincoln University has had to reduce its allocation to a very modest \$350,000 to deal with annual deferred maintenance needs. This annual investment in maintenance and repair is less than .18% of the plant replacement value.

Below are excerpts from the 2009 MDHE review that clearly state some of the issues Lincoln University faces regarding maintenance and repair challenges.

“The majority of Lincoln’s buildings are, however, aging. Many were built during the 1920s and 1930s, or between the late 1950s and early 1970s. The university has struggled to maintain these buildings, but most show evidence of the fact that the university has been unable to allocate funds for maintenance and repair on a consistent basis. In addition, many of the university’s buildings are not ideally suited for their current use. Many of the systems that support the campus, such as the steam distribution system; life safety systems; roofs; and electrical, plumbing, and heating/cooling systems; are severely challenged. The likelihood that one of these systems will fail, resulting in major disruption and expense, increases every year.

Lincoln has other problems resulting from deferred maintenance. Many buildings have chipped, flaking, or otherwise compromised paint. In many cases, this damage is indicative of water infiltration or structural damage. The ceilings in many buildings are water-stained or have holes in them, suggesting that pipes above the leak have burst. The mechanical systems are old and obsolete. It is difficult to find replacement parts for many HVAC units and electrical panels and devices. Most buildings have brick masonry veneer that has not been tuckpointed, cleaned, and sealed/waterproofed in years, causing water infiltration and risk of bricks falling. The steam distribution system is inefficient because of major leaks by rusted piping, broken valves, and tunnel structural issues.

Lincoln appears to use every available square foot of space on its campus. Unfortunately, this means that many programs are housed in buildings that are not well-suited for their current use and are in need of significant renovation or repair. ... Lincoln lacks adequate space for some critical programs and its general education courses, both in terms of quality of space and quantity of space.”

Due to the deteriorated conditions of the existing steam plant tunnel system on campus and the major capital outlay needed to renovate and repair the pipes, valves, etc. and tunnel structural reinforcements, the University hired an independent third party to provide an opinion of the potential operational savings that could be achieved with a retrofit of the University's central steam heating system. The study findings found that the current steam system is operating in the range of 55% annual efficiency. A steam to hot water retrofit (95% efficient hot water boilers) could reduce the operating expenses related to heating the campus by \$309,000/year, which is roughly a 10 year payback for the project. As a result, decommissioning the current aging steam system and installing a distributed hot water system is a very cost effective solution. Due to limited funding, this major mechanical project has not been realized.

In addition, the University’s Campus Master Plan, clearly describes deficiencies related to each facility. Several buildings are in need of major renovation. An example is Schweich Hall. As stated in the Campus Master Plan, “Schweich Hall is in need of major renovation regarding life safety and mechanical upgrades. This building should have a high priority for being renovated.” Major stabilization and infrastructure work is needed in order to preserve this historic building, thus making it safe and functional. Several key components must be tackled very soon. First, the exterior envelope of the building needs to be addressed in order to preserve the interior. This building has several water infiltration problems, from bottom to top, i.e. at the foundation level (water/mold issues in the basement), at the masonry walls (water penetrating through the brick

causing plaster/paint issues), at the windows, again causing water infiltration, and at the roof (ruined ceiling tile and light fixtures). Second, the entire mechanical system, to include the plumbing, the electrical, and the heating, cooling and ventilation systems, is old and obsolete. Corrosion and deterioration have caused many pipes to be completely rusted through. The electrical panels are the old fuse type that no longer meet code, are difficult to find repair parts and are unsafe. The HVAC units are old, unreliable, inefficient and do not provide the required amount of fresh air to meet current Interior Air Standards. Third, Schweich Hall does not meet ADA guidelines. This facility is the only remaining major academic/administration facility that does not have an elevator. Classes on the second floor have had to be relocated and are now unusable with not having an elevator in this building. Restrooms need to be renovated in order to meet ADA. Fourth, Schweich Hall does not have a central life safety system to include a sprinkler and fire alarm system throughout the building. A fire suppression system is available in the mainframe computer area only; however, it is many years old and needs to be replaced.

Immediate concerns include:

- Boiler Decentralization Project –Move to decentralization of boilers for utility savings and maintenance costs because the current tunnel system is deteriorated and inefficient.
- Martin Luther King Hall Roof Replacement/Cooling Tower and Chiller Replacement – Address severe roof problems and unreliable/outdated mechanical equipment.
- Tuckpointing, Caulking, Sealing/Waterproofing Projects – Address critical exterior masonry veneers that have failing caulk joints, areas of cracked grout and spalling brick to prevent further and accelerated damage.
- Main Campus Roof Repairs/Replacements – Replace various existing roof systems on numerous buildings because they have exceeded their life cycle and are in poor condition.
- Several major academic building renovations –Upgrade building and finish systems in Schweich Hall, Mitchell Hall, Elliff Hall, Founders Hall and Martin Luther King Hall.
- Richardson Fine Arts Center HVAC piping – Replace plastic piping with copper piping, since plastic continues to break causing water damage throughout the facility.
- Richardson Fine Arts Center Stormwater project – Reroute stormwater around Richardson due to water infiltration and erosion problems.
- Deteriorating streets and parking lots throughout campus – Repair roadways and parking lots due to damage caused by weather and natural aging.

8. Actions your institution has taken to reduce costs and become more operationally and financially efficient. Examples may include, but are not limited to, any elimination or restructuring of academic programs or reductions in administrative structure or staff.

Over the past several years, Lincoln University has taken a number of actions to reduce costs and increase efficiencies. Examples are listed below:

- Positions that became vacant were not filled and duties were reorganized among remaining staff. These included the Director of Institutional Planning, Research and Assessment; Institutional Planner, Student Accounts Coordinator and select faculty vacancies. Other positions such as the Director of Admissions and the Executive Director for Enrollment management were merged into one position. In addition, the overtime among the physical plant staff has been reduced. Finally, the Advising Program was reorganized to eliminate a 1.0 FTE professional advisor and stipends for faculty who served as designated freshman advisors in each of the academic departments. The changes in personnel and positions resulted in a savings of over \$430,000 in salaries and fringe benefits.
- In the area of fringe benefits, Lincoln University has eliminated its Employee Assistance Program and restructured the employee health insurance to include for the first time a health savings plan option in order to keep the insurance costs from rising above the industry standard. In addition, effective January 1, 2011, all new employees are required to contribute 4% to their retirement as a result of the legislative change to the MOSERS retirement system.
- Lincoln University did an extensive compensation study in 2006 and subsequently implemented salary adjustments for faculty and staff in 2007. The plan included reviewing salaries every three years. The compensation review completed in January 2010 revealed that the total amount needed to adjust salaries and fringe benefits to bring Lincoln University salaries in line again with comparators was \$2.2 million. The calculated adjustments were not implemented due to budget constraints and faculty and staff have not received salary increases since July 1, 2008 (FY 09).
- Lincoln University joined the Mid-America Intercollegiate Athletic Conference for its NCAA Division II athletic program beginning with the 2010-2011 school year. Lincoln University had previously been a member of the Heartland Conference which in recent years consisted of mostly Texas schools. This has markedly reduced travel costs including number of overnight stays. A total of \$49,000 was removed from the FY 2011 athletic travel budget. A side benefit has been less missed class time for the student-athletes. In addition, the Purchasing Department secured a fixed-rate, campus-wide transportation contract for all athletic teams effective July 2010 that has been extended to other departments such as fine arts and student activities.
- The ongoing repair and maintenance (ORM) base budget has slowly decreased from \$650,000 in FY06 to \$350,000 in FY11 and expenditures are limited to emergency repairs and small projects. See section 7 for more details.

- The general scholarship budget was decreased by 19% (\$312,000) from FY 10 to FY 11 as a part of an effort to balance last year's budget. A portion of this decrease was due to eliminating urban education scholarships that were not fully utilized. However, the University remains concerned about providing adequate student support and access as Lincoln University faces yet another year of decreased state appropriations. Even with a tuition increase, balancing the FY 12 budget remains a challenge without further jeopardizing the scholarship budget and student support and access.
- Lincoln University cancelled its rental agreement for a Jefferson City downtown office space that was used to disseminate information to state workers and other non-traditional students. A rental agreement for parking spaces at the Little Theater located on the south side of the campus was also cancelled.
- Lincoln University is also increasing its use of electronic communications both internally and externally. For example, student account invoices are no longer routinely mailed and all students, faculty, and staff are expected to use Web Advisor, Angel, and other electronic formats to obtain and send information.
- To increase purchasing efficiencies, a purchasing card system was implemented in July 2010 to provide an efficient way for departments to make small purchases. This reduced paperwork, provided more control and responsibility at the department level, and centralized billing and payment processes. In addition, the purchasing department has implemented changes in procurement. By utilizing the state contract for toner, toner costs have decreased by 10-25% per order compared to office supply contracts. The most recent change of contract for office supplies generated an immediate 20% or more savings for many office supply orders. Finally, improvements to the rental car program have not only lowered the cost of rental but provided a nation-wide contract with all required insurances included.
- Lincoln University has tried to increase the efficiency of its energy utilization despite the rising costs and aging facilities. Specifically, new energy efficient lighting is being installed along with more motion sensor type switches. Systems have been installed to sense outside temperatures and allow for a centralized computerized regulation of buildings thus decreasing staff travel to buildings or staff overtime to come in early to warm or cool buildings before workers and students arrive. The fountain in the library pond was replaced with a smaller, more energy efficient one and efforts are being made to better match the size of heating and cooling equipment purchased to the needs of buildings as it is replaced.
- In order to decrease cost and increase efficiency, Lincoln University's contract with Sungard was modified to decrease the reliance on an outside vendor for technology and move more technology functions in house.
- Recently, Lincoln University has engaged in the statewide academic program review which resulted in the elimination of five degree programs. Although there will be no significant, immediate cost savings, it is anticipated that there may be future efficiencies through a decreased need for adjuncts combined with Lincoln University's efforts to increase class sizes within the constraints of classroom space, modify scheduling of upper division courses, and increase the utilization of online and hybrid courses. In addition, Lincoln University is

participating in the state-wide course redesign effort related to the remedial English and English Composition courses. Finally, Lincoln University is participating in the statewide efforts to offer collaborative degrees (i.e. physics, foreign languages).

- In 2008, Lincoln University was using Blackboard as its Learning Management System (LMS). As a result of proposed increases in price, the University switched to the ANGEL Learning Management System in 2009. Subsequently, Blackboard purchased ANGEL and prices are projected to increase again. As a result, the University has selected MOODLE, an open source LMS to use effective summer 2011. Although the use of an open source LMS will decrease expenses, it should be noted that the faculty and students will use three different LMS vendors in four years.
- Lincoln University received grant funding to implement a MyPortal access to the university website. This feature included an option for a campus wide alert system. Utilizing this feature saved the University from costly purchases such as sirens, message boards or other systems that provide dissemination of important information during an emergency.
- In response to the need to solicit new bids and review the appropriateness of the overall system and costs, Lincoln University initiated an audit of telephony services, specifically the PRI (Primary Rate Interface) services. The audit revealed that the University's demands could be met by two PRI's instead of the four currently in use. Reducing the PRI's to two combined with the new pricing for PRI service will reduce the telephony costs by more than \$50,000 annually.

9. Any other extraordinary circumstances.

All concerns addressed in sections one through eight are extraordinary circumstances that justify an increase in tuition and related fees.